

Japanese Equities

LDP Presidential Election Causes Turbulence, but Supply-Demand Environment Remains Favorable

TOPIX Total Return Index	September end	MoM
	4,544.38 Points	-1.53%

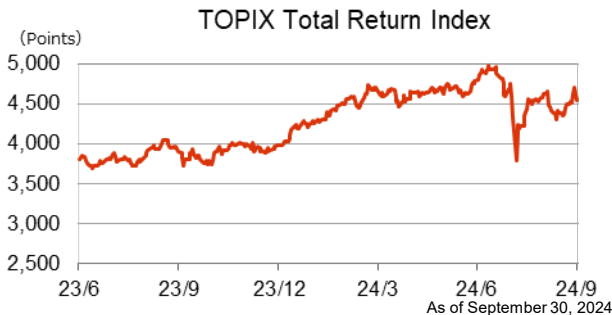
[Market review in September]

Equity prices in Japan fell in September. In the first half of September, equity prices, despite falling due to renewed fears of a recession in the US following a downward swing in the ISM manufacturing index and the rapid appreciation of the Yen, rebounded somewhat when the CEO of US semiconductor giant NVIDIA expressed a bullish outlook for demand for next-generation AI semiconductors. In the second half of the month, equity prices rose on expectations of interest rate cuts by the Fed and a weaker Yen, but fell sharply when Mr. Shigeru Ishiba won the LDP presidential election, as someone who advocated stronger taxation on financial income.

[Outlook]

We expect the equity market to remain directionless in the short term due to uncertainty over the US presidential election. Nevertheless, expectations for the Fed to make precautionary cuts to interest rates continue to rise in response to a possible US recession, which we assume will be positive for Japan’s domestic equity market. In addition, companies will strengthen shareholder returns for more capital cost-conscious management, as well as an inflow of individual investor funds into the stock market through the new NISA (Nippon Individual Savings Account) program, so we expect stock prices to remain strong over the medium to long term.

Positive Factors	Negative Factors
<ul style="list-style-type: none">● Strengthening of shareholder returns● Improved risk sentiment due to the start of US interest rate cuts● Improvement in the situation in Ukraine and Middle East	<ul style="list-style-type: none">● Growing fears of a US recession● Rapid appreciation of the Yen● Further slowdown of the Chinese economy



* Source: Bloomberg; Compiled by Daiwa Asset Management

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